

Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 CIEP-01 OMB-01

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9935

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E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: INCREASE IN EXIMBANK LINE OF CREDIT

1. ALLAN AND ARNOLDO RODRIGUEZ, PRINCIPAL STOCK-HOLDERS OF THE GRUPO PROIN, VISITED THE AMBASSADOR APRIL 17 TO DISCUSS THEIR HOPES OF EXPANDING SALES OF MASSEY FERGUSON TRACTORS IMPORTED FROM THE U.S. BY BEBRA, S.A., A MEMBER COMPANY OF THE GRUPO PROIN. THEY WERE ACCOMPANIED BY GUILLERMO GUNDAKER, GRUPO PROIN'S DIRECTOR OF OPERATIONS, WHO IS ALSO PRESIDENT OF THE AMERICAN CHAMBER OF COMMERCE OF COSTA RICA, AND BY VERNON BELL, SENIOR VICE PRESIDENT OF THE LATIN AMERICAN BANK, AN AFFILIATE OF THE GRUPO PROIN.

2. ALLAN RODRIGUEZ EXPLAINED THAT SINCE THE GRUPO PROIN TOOK OVER THE MASSEY FERGUSON DISTRIBUTORSHIP SOME THREE YEARS AGO IT HAS CONVERTED MOST OF ITS IMPORTS FROM BRITISH TO U.S. ORIGIN AND HASSKLSO GREATLY EXPANDED MASSEY FERGUSON'S MARKET PENETRATION. THEIR MOST WORRISOME COMPETITION COMES FROM THE RUSSIANS WHO ARE OFFERING 70 AND 90 HORSE-POWER TRACTORS, WHICH ALTHOUGH SOMEWHAT OBSOLESCE, SELL FOR ONE-HALF THE PRICE OF AMERICAN TRACTORS IN COSTA RICA.

3. IN ORDER TO EXPAND SALES OF AMERICAN TRACTORS HERE, DEBRA S.A. NEEDS AN INCREASE IN ITS LINE OF CREDIT FROM THE EXIMBANK IN ORDER TO PERMIT IT TO MAINTAIN A STOCK OF MASSEY FERGUSON TRACTORS IN COSTA RICA. THIS WOULD PERMIT

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THE COMPANY TO OFFER IMMEDIATE DELIVERY TO CUSTOMERS

RATHER THAN MERELY TAKING ORDERS FOR FUTURE DELIVERY.

4. BEBRA S.A. IS THEREFORE REQUESTING THAT THE EXIMBANK INCREASE ITS PRESENT LINE OF CREDIT OF \$500,000 TO A LEVEL OF \$2,000,000. RODRIGUEZ EMPHASIZED THAT THIS WOULD BE A LOW-RISK OPERATION BECAUSE THE LOANS WOULD BE SECURED BY THE VALUE OF THE EQUIPMENT WHICH WOULD BE IN BOND AND WOULD BE RELEASED ONLY AS SOLD. THE EXIMBANK COULD THEREFORE EXERCISE CONTROL OVER THE EQUIPMENT UNTIL THE SALE OF THE EQUIPMENT GENERATED THE REVENUE TO PAY DOWN THE LOAN. RODRIGUEZ WOULD PLEDGE THE CREDIT OF THE ENTIRE GRUPO PROIN FOR THIS PURPOSE RATHER THAN JUST THE CREDIT OF BEBRA, S.A., THE SUBSIDIARY THAT WOULD ACTUALLY IMPORT THE TRACTORS.

5. THE EMBASSY IS FORWARDING A COPY TO THE EXIMBANK OF THE GRUPTPPROIN'S LATEST CONSOLIDATED FINANCIAL STATEMENT FOR SEPTEMBER 30, 1974. IT SHOWS THAT SALES INCREASED FROM \$1.4 MILLION IN 1973 TO \$6.9 MILLION IN 1974 AND THAT THE COMPANY EARNED A CONSOLIDATED NET PROFIT OF \$1.4 MILLION IN 1974.

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Message Attributes

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